

Message Text

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SUBJECT: BACKGROUND PAPER - GSP

FOR JOHN FERCH - US DEL TO WORLD FOOD COUNCIL MEETING

BACKGROUND

1. ON JANUARY 1, 1976, THE UNITED STATES INSTITUTED ITS GENERALIZED SYSTEM OF PREFERENCES (GSP). THE US GSP COVERS OVER 2700 PRODUCTS. 140 INDEPENDENT COUNTRIES AND DEPENDANT TERRITORIES ARE INCLUDED AS BENEFICIARIES UNDER OUR SCHEME. THIS INCLUDES NEARLY ALL OF THE DEVELOPING COUNTRIES EXCEPT FOR THE MEMBERS OF OPEC WHO ARE EXCLUDED UNDER THE TERMS OF THE LAW. ALL ELIGIBLE PRODUCTS FROM ELIGIBLE COUNTRIES RECEIVE DUTY-FREE TREATMENT UNDER THE US GSP. IN 1976, THE FIRST YEAR OF OUR SYSTEM'S OPERATION, OVER 3.2 BILLION DOLLARS IN EXPORTS TO THE US BENEFITTED
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FROM GSP. ALTHOUGH THERE ARE A FEW AGRICULTURAL PRODUCTS INCLUDED IN OUR SCHEME, MOST OF THE PRODUCTS ARE MANUFACTURES AND SEMI-MANUFACTURES. CERTAIN COUNTRIES ARE EXCLUDED FROM GSP BENEFITS ON CERTAIN PRODUCTS UNDER A "COMPETITIVE NEED" CRITERION, I.E., WHEN THEIR EXPORTS OF THE PRODUCT IN THE PREVIOUS YEAR EXCEED A CERTAIN DOLLAR FIGURE WHICH IS TIED TO GNP (29.9 MILLION DOLLARS IN 1976),

OR 50 PER CENT OF TOTAL US IMPORTS OF THE ITEM. THE COUNTRY CAN CONTINUE TO EXPORT THE ITEM, BUT MUST PAY THE NORMAL MFN DUTY.

TALKING POINTS

2. -- IN 1976, THE FIRST YEAR OF THE OPERATION OF OUR GSP, OVER 3.2 BILLION DOLLARS IN GSP ELIGIBLE PRODUCTS FROM BENEFICIARY COUNTRIES ENTERED THE US DUTY FREE. THIS COMPARED TO 2.6 BILLION DOLLARS THAT WOULD HAVE BEEN ELIGIBLE FOR DUTY FREE TREATMENT IN 1975 IF WE WOULD HAVE HAD A GSP. WE BELIEVE OUR SYSTEM OFFERS SIGNIFICANT POSSIBILITIES FOR DEVELOPING COUNTRIES TO INCREASE THEIR EXPORTS TO THE US.

3. -- IF A COUNTRY EXCEEDS THE COMPETITIVE NEED LIMITS FOR A PARTICULAR PRODUCT, THEY ARE NOT IMMEDIATELY EXCLUDED. THEY CAN CONTINUE TO RECEIVE DUTY-FREE TREATMENT UNTIL THE FOLLOWING MARCH 1, WHEN THE EXCLUSION TAKES EFFECT AFTER WHICH THE COUNTRY MAY STILL EXPORT THE ITEM, BUT WILL HAVE TO PAY THE MFN DUTY. THIS IS AN ADVANTAGE FOR SMALL PRODUCERS OF AN ITEM, WHO CAN STILL RECEIVE THE DUTY FREE TREATMENT, AND ARE NOT AFFECTED BY A LARGER COUNTRY EXCEEDING THE LIMITS.

4. -- WE ARE VERY MUCH AWARE OF THE CONCERNS OF THE OPEC MEMBERS REGARDING THEIR EXCLUSION FROM THE BENEFITS OF GSP. THE PRESIDENT CURRENTLY HAS THIS POLICY UNDER REVIEW.

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5. -- THE US GSP CONTAINS MAINLY MANUFACTURES AND SEMI-MANUFACTURES BECAUSE ONE OF THE GOALS OF GSP AS ENUNCIATED BY THE UNCTAD IS TO ENCOURAGE THE DEVELOPMENT OF MANUFACTURING IN DEVELOPING COUNTRIES. THE US GSP DOES CONTAIN SOME AGRICULTURAL PRODUCTS, ALTHOUGH THE NUMBER IS RELATIVELY SMALL. SUGAR IS BY FAR THE MOST IMPORTANT OF THESE.

6. THE ADMINISTRATION IS CURRENTLY CONDUCTING A GENERAL REVIEW OF THE US GSP, BASED ON THE FIRST YEAR OF OPERATION. THIS REVIEW WILL PARTICULARLY LOOK AT PROBLEM AREAS IN OUR GSP, AND ATTEMPT TO FIND WAYS TO RESOLVE SOME OF THESE PROBLEMS. SUCH IMPROVEMENTS AS CHANGES IN THE RULES OF ORIGIN, COMPETITIVE NEED LIMITS, TREATMENT OF CUMULATIVE ORIGIN AND THE ADDITION OF FURTHER PRODUCTS ARE BEING CONSIDERED. IT IS TOO EARLY TO COMMENT ON THE LIKELY OUTCOME OF THIS REVIEW, BUT IT SHOULD BE POINTED OUT THAT A NUMBER OF CHANGES WOULD REQUIRE LEGISLATION, AND IT IS IMPOSSIBLE TO SAY WHAT VIEWS THE CONGRESS MIGHT

HAVE ON THESE SUBJECTS. CHRISTOPHER

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